

**DEPARTMENT OF SOCIAL AND HEALTH SERVICES
MEDICAL ASSISTANCE ADMINISTRATION
Olympia, Washington**

To: Pharmacists
Managed Care Plans
Regional Administrators
CSO Administrators

Memorandum No. 02-67 MAA
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For Information Call:
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From: J. Douglas Porter, Assistant Secretary
Medical Assistance Administration

Subject: Increase in Discount Applied to the Average Wholesale Price (AWP) of Drugs Paid for by the Medical Assistance Program

Effective with dates of service on and after August 1, 2002, the Medical Assistance Administration (MAA) will increase the discount applied to the Average Wholesale Price (AWP) of drugs.

- **For single source drugs and multiple source drugs with fewer than five manufacturers/labelers, the discount from AWP will increase from eleven percent (11.0%) to fourteen percent (14.0%).**
- **The discount from AWP for multiple source drugs with five or more manufacturers/labelers will increase from eleven percent (11.0%) to fifty percent (50.0%).**

Legislators directed MAA to meet with pharmacists and their member organizations to explore the possibility that other sources of savings might be discovered and used to offset the AWP discount change. MAA has met a number of times with pharmacists and their representatives over the past several months. Implementation of the discount increase was delayed one month to allow additional discussion and development of ideas.

No significant replacement savings have been identified, however. The discount change cannot be delayed further without jeopardizing the savings target set by the legislature.

MAA remains willing to review this discount change in light of other savings in the area of prescription drugs if those savings emerge in coming months. MAA will continue its dialogue with pharmacists and keep them abreast of savings as they are tracked. Several opportunities exist that could affect savings:

- 1) Therapeutic Consultation Service (TCS) – Pharmacists' support for TCS has the potential to increase savings beyond the existing target. If this occurs, those over-target savings would be used to recalculate the AWP discount.
- 2) Preferred Drug List (PDL) - Pharmacists around the state have received a voluntary Preferred Drug List that will help them work independently with local prescribers and seek preauthorized substitution of less expensive therapeutic equivalents and generics. Additional savings that can be tied to these efforts will be tracked by MAA and used in a review of the AWP discount rate.
- 3) Polypharmacy – Community pharmacists can help MAA target and review drug profiles of those Medical Assistance clients with multiple prescriptions.